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RR RUEHCD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM
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ZNR UUUUU ZZH
R 231547Z DEC 08
FM AMCONSUL GUADALAJARA
TO RUEHC/SECSTATE WASHDC 1159
INFO RUEHME/AMEMBASSY MEXICO 2343
RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE
RHMFIUU/DEPT OF JUSTICE WASHINGTON DC
RUEABND/DEA HQ WASHDC
RUEHGD/AMCONSUL GUADALAJARA 5215

UNCLAS SECTION 01 OF 03 GUADALAJARA 000612

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [SNAR](#) [PREL](#) [EIND](#) [KJUS](#) [MX](#)
SUBJECT: CHEMICAL CITY: GUADALAJARA, JALISCO, AND THE METH TRADE

REF: A) Guadalajara 236; B) Mexico 3072

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¶1. (SBU) Summary: According to 2007 DEA estimates, 80 percent of the methamphetamine used in the United States originates from laboratories operated by Mexican-based syndicates on both sides of the border. Production is especially high in and around the city of Guadalajara due to the confluence of geography, availability of materials, adequate infrastructure, and scientific expertise. Recent success by Mexican authorities in raiding large labs and seizing shipments of pseudoephedrine has caused the syndicates to modify some of their methods. There has been a shift towards a decentralized model involving many smaller labs, as well as a move toward meth production using other precursor chemicals. Ending Guadalajara's status as Mexico's drug chemical capital will require a sustained long-term effort. End Summary.

Comparative Advantages

¶2. (U) Jalisco is a major hub of methamphetamine production in Mexico due to the confluence of four key characteristics: geography, availability of materials, adequate infrastructure, and brain power. All four factors come together in and near the city of Guadalajara.

Geography

¶3. (U) Jalisco's geography is important for two main reasons. First, the state border is only 120km away from the major Pacific port of Manzanillo in the state of Colima. The large volume of containers passing through the port makes intensive screening difficult for the authorities and creates a higher success rate for illicit shipments of pseudoephedrine and other chemicals. Second, Jalisco has large swaths of isolated rural land where drug syndicates can set up labs and act with relative impunity. The sprawling Guadalajara metro area also offers many possibilities for concealing a lab in warehouses or older industrial buildings. Getting the smuggled chemicals from the port to lab locations is made easier because Colima and Jalisco are connected by a major highway. Guadalajara International Airport has Mexico's second busiest air cargo terminal and has also been used for drug and precursor chemical smuggling. Most recently, an illegal shipment of 1.5 tons of pseudoephedrine tablets was seized by authorities at the airport on October 4. A lack of resources and modern equipment makes thorough Customs screening of air cargo shipments a real challenge.

Availability of Materials

¶4. (SBU) Besides psuedoephedrine, there are a number of other important materials and chemicals vital in the production of methamphetamine. These materials are readily available in Guadalajara, the capital city of Jalisco, and are used for legitimate purposes involving other industrial chemical products. The city has a thriving pharmaceutical industry with companies such as Farmacias Guadalajara (FRAGUA) growing rapidly and expanding their retail presence nationwide. However, because the acquisition of many pharmaceutical ingredients is still relatively unregulated, drug trafficking organizations can take advantage of the legitimate market and divert chemicals for illicit purposes.

The Devil Wears a Lab Coat

¶5. (SBU) One of the most notorious examples of illegal chemical diversions concerns Farmaceuticos Collins (Collins Pharmaceuticals) - a drug maker and distributor based in the Guadalajara suburb of Zapopan. This company has a sleek, modern headquarters, 400 employees, and socially prominent owners. The dark side of Collins was revealed on October 2, 2008 when the Office of Foreign Assets Control (OFAC) formally cited the company, several affiliated enterprises, and their directors under the 1999 Foreign Narcotics Kingpin Designation Act for diverting substantial quantities of methamphetamine precursors to the Amezcua Contreras drug trafficking organization. The announcement sent shock waves through the local business community, and underlined for the public the fact that seemingly "respectable" businesses could be closely allied with the drug cartels.

Brain Power - It's No Job for Plain Thugs

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¶6. (SBU) The production of methamphetamine through chemical reactions using toxic substances requires workers with knowledge of chemistry and industrial processes. The usual cartel enforcers with gold chains and Kalashnikovs are not up to the task, but Guadalajara has a wealth of young chemists and engineers that can be recruited by drug syndicates to staff methamphetamine labs. The public university system overproduces these types of professionals into a flat job market where they can expect to make only \$1000-\$1500 USD/month starting salary, if they can get a job at all. It's therefore no surprise that the drug cartels can easily enlist such professionals by paying them much more than legitimate companies. Nor are all the chemists Mexican; in 2006 a former American chemistry professor was arrested for running a meth lab only six blocks from the Consulate!

Safety Last

¶7. (SBU) While professional chemists may be hired to set up the labs, day-to-day operations are usually handled by less skilled individuals known as "cooks," because they are told to follow the "recipe" written by the chemist. Their lack of expertise results in a poor safety record. Many of the largest lab discoveries in recent years have resulted not from police intelligence work, but from fires and explosions in the aftermath of industrial accidents. Frequently, the local fire department is the first public entity to become aware of the presence of a meth lab in a neighborhood. Emissions control is often lax; and some labs have been discovered after worried neighbors reported suspicious chemical odors to the police or fire departments. In a city that suffered hundreds of casualties in 1992 after gasoline leaked into the municipal sewer system and exploded, the local population is perhaps more

sensitive to unexplained chemical smells than are inhabitants of other cities.

Meth Producers Adapt

18. (SBU) In the past year there have been numerous Mexican law enforcement success stories involving seizures of pseudoephedrine at ports as well as raids of large labs leading to the confiscation of huge amounts of money and product. This fact, combined with the Mexican government's increased regulation of legitimate sources of pseudoephedrine has forced meth producers to adapt their methods. At the present time, the GOM is not issuing new permits for the importation of ephedrine and pseudoephedrine except in small amounts for medical research. These new measures, combined with actions against suspect pharmaceutical companies like Collins have forced the traffickers to switch from the diversion of legitimate pseudoephedrine shipments to smuggling the chemicals illegally into Mexico - a riskier proposition.

Smaller is Better

19. (SBU) Although it is true that a large methamphetamine lab will be able to produce more finished product and therefore more profit, it is also true that if such a lab goes out of business it takes out a large chunk of the syndicate's profit margin. In the current atmosphere of increased vigilance by the authorities, the cartels have begun shifting to a decentralized network of smaller labs for production, according to law enforcement sources. Although profits won't be as high due to increased overhead costs, there is also less chance of devastating financial risk caused by shutting down a major lab.

A "Pseudo Problem"

110. (SBU) Tighter regulation of pseudoephedrine by Mexican authorities as well as increased seizures of large smuggled international shipments has created a major problem for the drug syndicates: they don't have enough of the main ingredient in methamphetamine to meet demand. So instead of producing methamphetamine by reducing pseudoephedrine in a chemical process, they appear to be moving towards an alternative method known as the "Dirty method" or "P2P method", which was used by California biker gangs in the 1970s and 80s. This involves production through the reduction of phenylacetone and methylamine, which are more readily available in Mexico. This

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method of production is not ideal because it involves a more complex chemical reaction which is more difficult to control, the resulting product is not as potent, it produces less finished product per batch, and the process is more odorous and therefore more difficult to conceal. It does, however, allow the meth-makers to cope with reduced supplies of pseudoephedrine.

Comment: A Long-Term Struggle with an Insidious Industry

111. (SBU) While Guadalajara's prominent position in the methamphetamine trade is unlikely to change soon, recent efforts by Mexican authorities have clearly complicated the way the drug syndicates have traditionally operated. This is especially true in regard to the regulation of certain precursor chemicals. OFAC's actions against Collins Pharmaceuticals also sent a clear signal that prominent and seemingly respectable businesses allied with the traffickers were not outside the reach of the

law. Post has extensively publicized the OFAC designations and was gratified to note that few voices were raised in defense of the embattled company. We continue to work with state and local police forces to enhance their professionalism and capability to detect meth labs and shipments of illegal precursor chemicals. The Merida Initiative will permit an increase in these efforts, as well as improved equipment and training for Mexican Customs to exercise a more rigorous control over local seaports and air cargo terminals.

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